

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 XMB-02 STRE-00 /106 W

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TO SECSTATE WASHDC PRIORITY 9318

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E.O. 11652: GDS

TAGS: ETRD, EALR, BEXP, KS

SUBJECT: ROKG IMPORT TARGETS AND LIBERALIZATION

REF: (A) SEOUL 1123; (B) STATE 35642

1. MCI BUREAU OF INTERNATIONAL TRADE PROMOTION DIRECTOR
GENERAL CHIN SHIK NOH ON FEBRUARY 14 REVIEWED UNFOLDING
ROKG ACTIONS TOWARD IMPORT LIBERALIZATION AND IN PARTICULAR
TO EXPAND IMPORT MARKET FOR U.S. ALONG LINES DESCRIBED
REFTEL (A).

2. FIRST, TO GIVE IMPETUS TO PAST EFFORTS TO REDRESS
JAPAN'S HIGHLY FAVORABLE TRADE BALANCE WITH KOREA, MCI HAS
REQUESTED 2,000 IMPORTING FIRMS TO REPORT ON WHAT THEY HAVE
DONE IN RESPONSE TO ITS REQUESTS TO SHIFT IMPORTS AWAY FROM
JAPANESE SOURCES. SECONDLY, BY LETTER HE HAS ORDERED THE 24 LARGE
JAPANESE TRADING HOUSES DOING BUSINESS IN KOREA TO REPORT
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ON THEIR OWN IMPORTS AND EXPORTS. LETTER'S STYLE IS DESIGNED
SO THAT THOSE FIRMS WILL FEEL OBLIGATED TO BALANCE THEIR
JAPANESE IMPORTS WITH KOREAN EXPORTS. COMMERCIAL OFFICERS
ARE ALREADY RECEIVING TRADE INQUIRIES RE U.S. SOURCES FOR
PRODUCTS SUCH AS HOT ROLLED COIL AND RAILROAD RAILS. IN
EFFORTS TO TAKE ADVANTAGE OF THIS SITUATION, EMBASSY HAS
COMPILED LIST OF MAJOR KOREAN IMPORTS FROM JAPAN DURING

PAST TWO YEARS, AND IS CONSULTING WITH LOCAL AMERICAN BUSINESS COMMUNITY TO DETERMINE IN WHICH CATEGORIES U.S. STANDS BEST CHANGES OF MAKING INROADS.

3. THIRDLY, NOH CLAIMS THAT VICE MINISTER LEVEL INTRAMINISTERIAL IMPORT LIBERALIZATION DELIBERATION COMMITTEE, SUPPLEMENTED BY ASSISTANT MINISTERIAL AND BUREAU DIRECTOR WORKING COMMITTEES, HAS GONE INTO HIGH GEAR WITH THE DUAL PURPOSE OF FORMULATING IMPORT LIBERALIZATION GUIDELINES AND WORKING PLANS AT THE EARLIEST POSSIBLE TIME. EPB VICE MINISTER SUH HAS GONE PUBLIC WITH A REQUEST FOR RAPID LIBERALIZATION OF GOODS OF WHICH ARE NOT PRODUCED IN KOREA OR ONLY AT HIGH PRICE. EPB'S CHIEF INTEREST IS THE PRICE STABILIZING EFFECTS OF GREATER IMPORT COMPETITION. NOH REMARKED THAT PRICE ALONE CANNOT BE THE DETERMINING FACTOR ON LIBERALIZATION OF ANY ONE PRODUCT, BUT THAT MANY OTHER FACTORS MUST BE JUDGED IN REACHING DECISIONS.

4. NOH OBSERVED THAT THE THRUST FOR LIBERALIZATION HAS MATERIALIZED SO STRONGLY AND SUDDENLY THAT IT IS SCARING MANUFACTURERS AND GENERATING DEFENSIVE PREPARATIONS IN THE MINISTRY OF AGRICULTURE AND FISHERIES. HOWEVER, LATTER HAS GONE AS FAR AS CONCEDED THAT IT MAY FROM TIME TO TIME LICENSE FISHERY IMPORTS (WHICH HAVE BEEN EFFECTIVELY BANNED) WHERE THEY ARE NOT AVAILABLE FROM KORAN SOURCES, OR WHENEVER DOMESTIC PRICES GET OUT OF LINE BECAUSE OF SHORT SUPPLY. CONFIDENTIAL

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NOH REPORTED THAT SUGGESTIONS WERE SO NUMEROUS THAT AN AD HOC COMMITTEE, OF WHICH HE IS A PRINCIPAL MEMBER, IS WORKING OUT THE APPROACH ON HOW TO HANDLE LIBERALIZATION. HE STATED THAT ROKG WILL "USE" THE MTN NEGOTIATIONS AS A LASH FOR DEALING QUICKLY WITH CONFLICTING VIEWPOINTS AND GETTING ON WITH ITS WORK.

5. EMBASSY COMMENT: THERE CAN BE NO REPEAT NO QUESTION OF KOREAN DESIRE TO MITIGATE ITS PROTECTIVE TRADE REGIME. HOWEVER, THE BATTLES AND THE TOUGH DECISIONS REMAIN TO BE MADE. AS POINTED OUT IN SEPTTEL RESPONSE TO REF (B), STRONG RESISTANCE REMAINS AND CONCRETE FORWARD MOVEMENT HAS SO FAR BEEN MODEST. ONE FOREIGN OFFICE SOURCE POINTED OUT TO EMBOFF THAT THE EFFORT HAS BEEN PLACED AT THE VICE MINISTERIAL LEVEL SPECIFICALLY BECAUSE THEY WILL MOVE THE BUREAUCRACY QUICKLY AND ARE STRONG ENOUGH TO FEND OFF ALL THE POLITICAL AND INDUSTRIAL PRESSURE AND HEAT THAT LIBERALIZATION WILL GENERATE. KOTRA HAS PROPOSED LUNCHEON MEETING WITH EMBASSY ON FEB. 21 PRESUMABLY TO PROCEED ON ACTION REPORTED REFTTEL (A). ROKG CONSENSUS THAT LIBERALIZATION EFFORTS MUST BEGIN HAS CONVERGED WITH U.S. INTERESTS IN MTN AND BILATERALLY. AMBASSADOR STRAUSS JAN. 23 APPEAL RE MTN WAS GIVEN CAREFUL CONSIDERATION BY ROKG AND, ALTHOUGH NO

ONE CAN PREDICT HOW MEANINGFUL WILL BE THE RESULTS, IT APPEARS
TO BE MAKING A GRATIFYING EFFORT.

6. IT SHOULD BE NOTED THAT THERE ARE TWO SEPARATE
(BUT RELATED) DEVELOPMENTS AFOOT, BOTH OF WHICH COULD
WORK TO U.S. ADVANTAGE. FIRST IS THE MOMENTUM TOWARDS
IMPORT LIBERALIZATION. SECOND IS THE DESIRE TO ELIMINATE
EXTREME BILATERAL TRADE IMBALANCES. IN ADDITION TO ROKG'S
DESIRE TO CONTROL DOMESTIC PRICES (JANUARY RESULTS SHOW A
MONEY SUPPLY INCREASE OF 44 PERCENT OVER THE PAST TWELVE MONTHS,
AND A WHOPPING 2.9 PERCENT INCREASE IN THE CONSUMER PRICE INDEX
FOR JANUARY ALONE), THE GOVERNMENT IS CONCERNED BY THE
\$818 MILLION TRADE SURPLUS KOREA RAN WITH THE U.S. IN
1977, AND THE \$1.8 BILLION TRADE DEFICIT WITH JAPAN.
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